



City Employee Compensation Analysis

(Part 4 of 4)

**Total Compensation Analysis Shows True
Costs for City Positions**

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A Report by

**The Office of Councilmember Carl DeMaio
(District 5)**

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Key Findings

Finding 1: Membership in the \$100,000 Club Has Stabilized; Remains 44% Higher Than 2 Years Ago

CY	FY	Citywide Annually Budgeted FTEs ¹	Number of 100K Members ²	Annual % Change	100K Members as % of Budgeted FTEs
2003	2004	11,269	483	N/A	4.29%
2004	2005	11,071	644	33.33%	5.82%
2005	2006	10,834	753	16.93%	6.95%
2006	2007	11,391	770	2.26%	6.76%
2007	2008	10,787	874	13.51%	8.10%
2008	2009	10,729	1,255	43.59%	11.70%
2009	2010	10,572	1,265	0.80%	11.97%

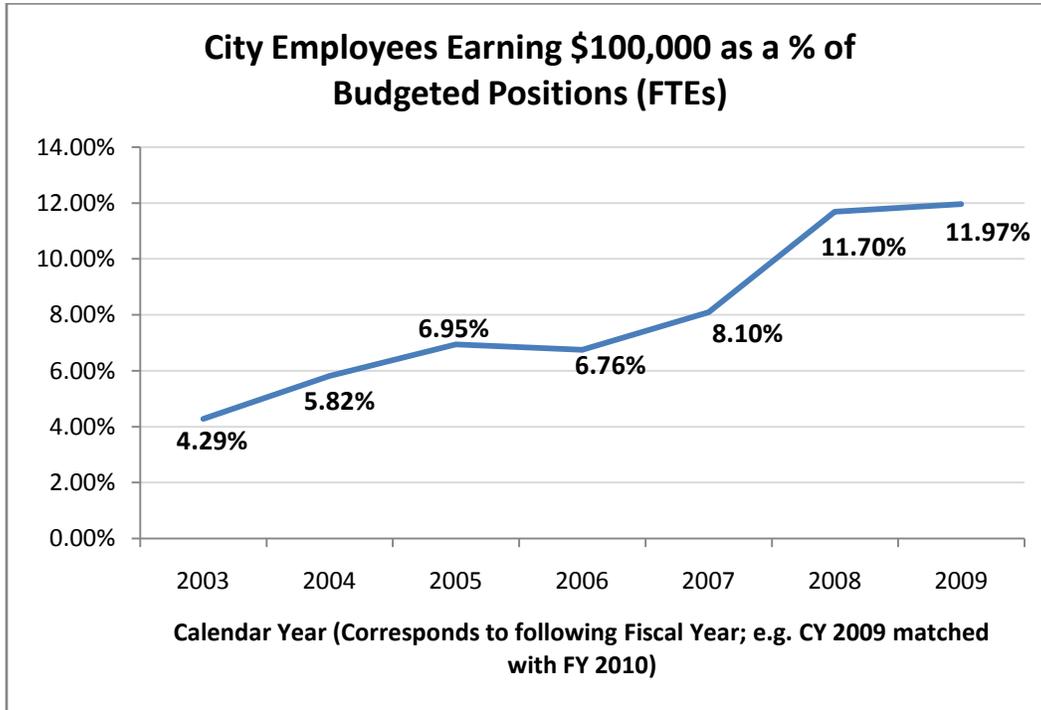
City employee membership in the \$100,000 Club increased by just 10 members (0.8%) for Calendar Year 2009, yet remains significantly higher than just two years prior by 391 members (more than 44%).



¹ FY 2004 figures taken from FY 2005 Annual Budget
 FY 2005 – FY 2007 figures taken from FY 2007 Annual Budget
 FY 2008 – FY 2009 figures taken from FY 2009 Annual Budget
 FY 2010 figures taken from FY 2010 Annual Budget

² City of San Diego

Measured as a percentage of budgeted positions over time, membership in the \$100,000 Club has also increased every year since Calendar Year 2003/Fiscal Year 2004.³



Finding 2: Six Figure Retirement Pay-Outs on the Rise

In Calendar Year 2009, the number of retirees earning regular retirement allowances of \$100,000 or more increased to 111 from 86, or by 29%. However, when including annuity payments from the DROP program, 285 retirees received retirement payouts of \$100,000 or more in 2009, an increase of 69 (32%) from 2008.

Pension Payouts of \$100,000 or More ⁴		
	Calendar Year 2008	Calendar Year 2009
Retirement Allowances of \$100,000 or more (Excluding DROP Annuity Payments)	86	111
Retirement Allowances of \$100,000 or more (Including DROP Annuity Payments)	216	285

Note: These payouts do not include retirement benefits from SPSP – a 401(k)-style retirement account – a benefit provided to many non-safety city employees.

³ The use of Budgeted Positions (FTEs) for this statistic must be recognized as less than ideal due to potential differences in each year between budgeted positions and actual number of FTEs, as well as the potential non-constant nature of this difference from year to year.

⁴ Source: SDCERS

Finding 3: DROP Accounts Still in the “Million Dollar Circle”

Last year, examination of top DROP payouts revealed that five payouts had been made from DROP accounts in excess of \$1 million. An updated⁵ list of the top current DROP account balances (active and retired) reveals that two current accounts exceed \$1 million in value (\$1,075,678 and \$1,061,299). Furthermore, the significant number of employees shifting from “Active” to “Retired” status in the DROP program can be seen in the year-over-year overview of DROP accounts below.

Overview of DROP Account Balances: December 2008 and December 2009		
<i>Source: SDCERS</i>		
	CY 2008	CY 2009
Number of Active DROP Accounts	994	774
Total Balance	\$150,151,709	\$75,344,349
Average Balance	\$151,058	\$97,344
Number of Retired DROP Accounts	780	1195
Total Balance	\$183,380,651	\$278,687,822
Average Balance	\$235,103	\$233,212

Finding 4: Using a Total Compensation Model to Analyze City Workforce Reveals Unsustainable Labor Costs

The costs to the city’s budget associated with fringe benefits over the past two Fiscal Years are presented below. Of note are the savings achieved through negotiations, particularly the reduction in the Retirement Offset Contribution, or “pickup,” and the less apparent savings from the waiver of the SPSP mandatory match (see footnote 7). These savings are directly attributable to the commendable 6% reductions in compensation achieved in the last round of labor contracts.

While these savings are commendable, the continued underfunding of the city’s retiree health care obligation is not apparent in the table below. Furthermore, the coming FY 2011 pension payment (labeled SDCERS ARC in the table) is slated at \$231.7 million, a \$77.5 million (50.26%) increase from the FY 2010 figure provided below.⁶

⁵ As of October 31, 2009. *Source: SDCERS*

⁶ Cheiron: June 30, 2009 Actuarial Valuation for the City of San Diego.

Aggregate Budgeted Fringe Costs, FY 2009 and FY 2010		
Fringe Title	FY 2009 Annual Budget	FY 2010 Annual Budget
SDCERS ARC	\$161,705,323	\$154,243,321
SPSP	\$23,952,721	\$23,608,209 ⁷
Retirement Offset Contribution	\$19,505,202	\$8,727,838
Employee Offset Savings	\$19,738,384	\$11,726,918
Workers Compensation Insurance	\$25,999,363	\$25,645,532
Flexible Benefits	\$59,338,459	\$56,486,904
Risk Management Administration	\$6,599,088	\$7,866,177
Long Term Disability	\$5,333,924	\$4,070,766
Unemployment Insurance	\$1,081,307	\$1,177,136
Medicare	\$8,587,377	\$9,479,950
Retiree Health Care Contribution	\$50,001,169	\$57,116,798 \$32,109,191
Other Post-Employment Benefits		\$25,007,607
Unused Sick Leave	\$429,000	\$438,817
Applicable Totals	\$382,271,317	\$360,588,366

A line-item examination of the labor cost structure surrounding a variety of city positions provides a better understanding of the total costs surrounding city employee compensation. As opposed to the aggregate presentation above, the tables below provide budgeted costs for example positions in FY 2010.

Additionally, costs associated with fully funding retiree health care are estimated for FY 2010, showing the full cost if the City were to fully fund its retiree health care obligations.⁸

⁷ The FY 2010 Budget assumes that affected employees elected a 3% salary reduction rather than waive the City's mandatory match to employee mandatory SPSP contributions (see FY 2010 Annual Budget, Volume 1, page 18).

⁸ The "Retiree Health Care Contribution" line item reflects the PAYGO amount for retiree health care, and the "Other Post-Employment Benefits" line item reflects the pre-funding of the CalPERS Employer Retiree Benefit Trust to pre-fund future liabilities. The estimates of the costs associated with fully funding the ARC reflect a simple doubling of the sum of line item costs for the "Retiree Health Care Contribution" and "Other Post-Employment Benefits," with both line-items being shifted to the "Other Post-Employment Benefit line-item. Details on this funding level can be found in the Five Year Financial Outlook, FY 2010 Adopted Budget, and FY 2009 CAFR.

Job Class 1535: Clerical Assistant	FY 2010 Budget	% of Salary	FY 2010 (Full Retiree Medical Payment)	% of Salary
Salary	\$34,340	100.00%	\$34,340	100.00%
Medicare	\$498	1.45%	\$498	1.45%
Flexible Benefits	\$5,642	16.43%	\$5,642	16.43%
Disability Insurance	\$213	0.62%	\$213	0.62%
Other Post-Employment Benefits	\$2,406	7.01%	\$10,990	32.00%
Employee Offset Savings	\$343	1.00%	\$343	1.00%
Retiree Health Care Contribution	\$3,089	9.00%	\$0	0.00%
Risk Management Administration	\$744	2.17%	\$744	2.17%
Supplemental Pension Savings Plan	\$1,975	5.75%	\$1,975	5.75%
Unemployment Insurance	\$51	0.15%	\$51	0.15%
Unused Sick Leave	\$20	0.06%	\$20	0.06%
Workers' Compensation	\$1,631	4.75%	\$1,631	4.75%
Retirement Offset Contribution	\$1,168	3.40%	\$1,168	3.40%
Retirement Contribution	\$5,491	15.99%	\$5,491	15.99%
	\$57,611	167.77%	\$63,106	183.77%

Job Class 1879: Sr. Clerk/Typist	FY 2010 Budget	% of Salary	FY 2010 (Full Retiree Medical Payment)	% of Salary
Salary	\$41,822	100.00%	\$41,822	100.00%
Medicare	\$606	1.45%	\$606	1.45%
Flexible Benefits	\$5,642	13.49%	\$5,642	13.49%
Disability Insurance	\$259	0.62%	\$259	0.62%
Other Post-Employment Benefits	\$2,406	5.75%	\$10,990	26.28%
Employee Offset Savings	\$418	1.00%	\$418	1.00%
Retiree Health Care Contribution	\$3,089	7.39%	\$0	0.00%
Risk Management Administration	\$744	1.78%	\$744	1.78%
Supplemental Pension Savings Plan	\$2,405	5.75%	\$2,405	5.75%
Unemployment Insurance	\$63	0.15%	\$63	0.15%
Unused Sick Leave	\$25	0.06%	\$25	0.06%
Workers' Compensation	\$1,359	3.25%	\$1,359	3.25%
Retirement Offset Contribution	\$1,422	3.40%	\$1,422	3.40%
Retirement Contribution	\$6,687	15.99%	\$6,687	15.99%
	\$66,947	160.08%	\$72,442	173.22%

Job Class 1693: Police Officer II	FY 2010 Budget	% of Salary	FY 2010 (Full Retiree Medical Payment)	% of Salary
Salary (Does Not Include Overtime)	\$75,571	100.00%	\$75,571	100.00%
Medicare	\$1,096	1.45%	\$1,096	1.45%
Flexible Benefits	\$4,725	6.25%	\$4,725	6.25%
Disability Insurance	\$469	0.62%	\$469	0.62%
Other Post-Employment Benefits	\$2,406	3.18%	\$10,990	14.54%
Employee Offset Savings	\$2,267	3.00%	\$2,267	3.00%
Retiree Health Care Contribution	\$3,089	4.09%	\$0	0.00%
Risk Management Administration	\$744	0.98%	\$744	0.98%
Supplemental Pension Savings Plan	\$0	0.00%	\$0	0.00%
Unemployment Insurance	\$113	0.15%	\$113	0.15%
Unused Sick Leave	\$45	0.06%	\$45	0.06%
Workers' Compensation	\$5,086	6.73%	\$5,086	6.73%
Retirement Offset Contribution	\$0	0.00%	\$0	0.00%
Safety Retirement - Police	\$26,533	35.11%	\$26,533	35.11%
	\$122,144	161.63%	\$127,639	168.90%

Job Class 1462: Fire Fighter II	FY 2010 Budget	% of Salary	FY 2010 (Full Retiree Medical Payment)	% of Salary
Salary (Does Not Include Overtime)	\$62,758	100.00%	\$62,758	100.00%
Medicare	\$910	1.45%	\$910	1.45%
Flexible Benefits	\$5,668	9.03%	\$5,668	9.03%
Disability Insurance	\$389	0.62%	\$389	0.62%
Other Post-Employment Benefits	\$2,406	3.83%	\$10,990	17.51%
Employee Offset Savings	\$1,883	3.00%	\$1,883	3.00%
Retiree Health Care Contribution	\$3,089	4.92%	\$0	0.00%
Risk Management Administration	\$744	1.19%	\$744	1.19%
Supplemental Pension Savings Plan	\$0	0.00%	\$0	0.00%
Unemployment Insurance	\$94	0.15%	\$94	0.15%
Unused Sick Leave	\$38	0.06%	\$38	0.06%
Workers' Compensation	\$2,353	3.75%	\$2,353	3.75%
Retirement Offset Contribution	\$0	0.00%	\$0	0.00%
Safety Retirement - Fire	\$25,091	39.98%	\$25,091	39.98%
	\$105,423	167.98%	\$110,918	176.74%

Job Class 1428: Electrician	FY 2010 Budget	% of Salary	FY 2010 (Full Retiree Medical Payment)	% of Salary
Salary	\$55,114	100.00%	\$55,114	100.00%
Medicare	\$799	1.45%	\$799	1.45%
Flexible Benefits	\$4,992	9.06%	\$4,992	9.06%
Disability Insurance	\$342	0.62%	\$342	0.62%
Other Post-Employment Benefits	\$2,406	4.37%	\$10,990	19.94%
Employee Offset Savings	\$0	0.00%	\$0	0.00%
Retiree Health Care Contribution	\$3,089	5.60%	\$0	0.00%
Risk Management Administration	\$744	1.35%	\$744	1.35%
Supplemental Pension Savings Plan	\$3,169	5.75%	\$3,169	5.75%
Unemployment Insurance	\$83	0.15%	\$83	0.15%
Unused Sick Leave	\$33	0.06%	\$33	0.06%
Workers' Compensation	\$2,067	3.75%	\$2,067	3.75%
Retirement Offset Contribution	\$0	0.00%	\$0	0.00%
Retirement Contribution	\$8,813	15.99%	\$8,813	15.99%
	\$81,651	148.15%	\$87,146	158.12%

Finding 5: Salary Increases Continue to be Granted in the Form of “Step,” or “Merit” Increases

As outlined by the City’s Personnel Regulations,⁹ “Step,” or “Merit” salary increases can be awarded to city employees on an individual basis independently of across-the-board changes to compensation through labor negotiations. Thus, while labor contracts may contain a salary freeze or even a compensation reduction, employees can still receive raises if they qualify for a Step Increase under the city’s Personnel Regulations.

The table below presents a statistical summary of these types of salary increases given in FY 2009 and through November 12, 2009 for FY 2010.

"Step" or "Merit" Salary Increases¹⁰		
	FY 2009	FY 2010 (through 11/12/09)
Number of Salary Increases	1,628	563
Average % Increase in Base Compensation (Salary)	5.67%	5.43%
Number of Hourly Increases	364	196
Average % Increase in Base Compensation (Hourly)	6.94%	6.76%
Total Number of Increases	1,992	759
Average % Increase in Base Compensation (Total)	5.90%	5.78%

⁹ Relevant sections included as an attachment to this report.

¹⁰ Source: City of San Diego Personnel Department

Study Methodology and Data Sources

Last year, the Council District 5 office released several reports on aspects of city employee compensation. These included:

- Analysis of fringe labor costs in the city's budget
- "Welcome to the \$100,000 Club" – an examination of the number of city employees earning salaries of \$100,000 or more every calendar year
- The "Million Dollar Circle" – an examination of DROP program payouts to city employees in excess of \$1 million

This report offers annual updates to these items as well as a more detailed assessment of line item labor costs and pay raises granted in FY 2009 and FY 2010.

The data used in this examination of City employee compensation reflects an ongoing exercise of Councilmember Carl DeMaio's since 2003. The most recent year of data, Calendar Year 2009, was provided by the City of San Diego Personnel Department at the request of the District 5 Council office. Data was requested in the same format as previous years to allow for comparisons over time.

Data on Step Increases for FY 2009 and FY 2010 was also provided by the City Personnel Department.

Data on the top retirement payouts, corresponding DROP annuity payouts and DROP account balances was provided at the request of the Council District 5 office by SDCERS.